



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0631	Title:	Revise credit for preservation of historic buildings and transfer of credit
Primary Sponsor:	Blewett, Anders	Status:	As Introduced

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|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	(\$969,510)	(\$985,862)	(\$1,009,003)	(\$1,032,821)
Net Impact-General Fund Balance:	<u>(\$969,510)</u>	<u>(\$985,862)</u>	<u>(\$1,009,003)</u>	<u>(\$1,032,821)</u>

Description of fiscal impact: This bill reduces general fund revenue by approximately \$1 million per year.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. This bill increases the individual and corporate income tax credits allowed for the rehabilitation of historic buildings from 25 percent to 100 percent of the tax credit allowed under federal law; allows the tax credit to be transferred to another person, requires the DOR and the State Historic Preservation Office to develop procedures for ensuring the validity of the transfer.
2. In TY 2007, the most recent tax year in which data is available, total individual income tax credits claimed for historic property preservation were \$239,388. Had the provisions of this bill been in place for TY 2007, total tax credits would have been \$957,552 (\$239,388×4), an increase of \$718,164.
3. In the official revenue estimate, the estimated growth rate for all other credits for TY 2008 was 6.6484%. For TY 2009 through TY 2011 the estimated increases were 1.1527%, 2.1107% and 2.9252% respectively. For TY 2012 and TY 2013 the estimated increase is assumed to be the same as in FY 2011. The table below shows the estimated increase in the income tax credit resulting from applying these growth rates.

Tax Year	All Other Credits Growth Rate	Credit Increase
2008	6.6484%	\$765,910
2009	1.1527%	\$774,739
2010	2.1107%	\$791,091
2011	2.9252%	\$814,232
2012	2.9252%	\$838,050

4. Individual income tax returns for one year will be filed late in the following fiscal year. The first tax year individual income taxpayers can claim this credit is FY 2010.
5. Corporate license taxpayers claimed an average of \$64,924 in credits per year over the last five years. If the provisions of this bill had been in place, \$259,696 of credits would have been claimed (\$64,924×4) in FY 2008. There are no official revenue estimates of growth in corporate tax credits. The number of corporate taxpayers who claim the credit is small (less than 10 per year) and the amount of the credits varies substantially by year, so the growth rate is assumed to be flat. Therefore, the estimated increase in corporate tax credits is \$194,771 (\$259,694-\$64,924) per year over the period from FY 2010 – FY 2013.
6. The bill applies retroactively to tax years beginning after December 31, 2008. Corporation tax years correspond to the corporation's fiscal year. Corporate tax returns are due the 15th day of the fifth month after the tax year ends. This fiscal note assumes that the decrease in corporate tax revenue due to the credit increase begins in FY 2010.
7. The total tax credit increases per year, are shown below:

Fiscal Year	Individual Income Tax Credits	Corporate License Tax Credits	Total Credit Increase
2010	\$774,739	\$194,771	\$969,510
2011	\$791,091	\$194,771	\$985,862
2012	\$814,232	\$194,771	\$1,009,003
2013	\$838,050	\$194,771	\$1,032,821

8. This bill allows the credit to be transferred to another taxpayer and requires the DOR to work with the State Historic Preservation Office to develop procedures to ensure that the transfer is valid. To date, the total number of taxpayers claiming this credit each year is small and so no significant additional costs is estimated for this activity. The bill could require up to 150 hours of development and 80 hours of testing. Those costs would be covered under the current maintenance agreement, with staff redirected from other work.

Montana Historical Society

9. The Montana Historical Society does not anticipate any significant operating costs associated with this bill.

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Fiscal Impact:</u>				
<u>Revenues:</u>				
General Fund (01)	(\$969,510)	(\$985,862)	(\$1,009,003)	(\$1,032,821)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$969,510)	(\$985,862)	(\$1,009,003)	(\$1,032,821)

Technical Note

1. Under current law, taxpayers can also claim a historic property preservation credit against tax liability for 20% of the cost of creating a conservation easement and subsequent diminishment of the value of historic property resulting from placing a conservation easement on the property. This alternative way to qualify expenses and use the credit expires on December 31, 2011. The data available does not allow a breakout of taxpayers using the credit to offset costs resulting from conservation easement impacts. To the extent the historic building preservation credit is used for conservation easement related impact on values of historic property, the cost of the credit will be overstated.

Sponsor's Initials

Date

Budget Director's Initials

Date